

Message Text

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PAGE 01 WELLIN 01471 220254Z
ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 HUD-02 NSC-05 SS-15
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FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 3077

UNCLAS WELLINGTON 1471

E.O. 11652:N/A
TAGS: ECRE, ECON, EINV, EFIN
SUBJECT: GNZ BOOSTS HOUSING FINANCE

REF: (A) WELLINGTON 1425, (B) 76 WELLINGTON 4638

1. IN AN IMPORTANT MOVE TO BOLSTER THE SAGGING HOUSE
BUILDING INDUSTRY THE MINISTER OF HOUSING, MR HOLLAND,
HAS JUST ANNOUNCED THE RELEASE OF \$33 MILLION FROM
TRUSTEE AND PRIVATE SAVINGS BANKS THROUGH REDUCED
RESERVE RATIOS FOR THE HOME MORTGAGE FINANCE MARKET
OVER THE NEXT THREE MONTHS. THE GOVERNMENT HAS BEEN
KEEPING A CLOSE EYE ON THE TIGHTENING MORTGAGE
SITUATION. GNZ WILL LOWER THE REQUIRED GOVERNMENT STOCK
RATIOS OF TRUSTEE AND PRIVATE SAVINGS BANKS IN
TWO STAGES. (AT PRESENT THE RATIO REQUIREMENTS
FOR TRUSTEE SAVINGS BANKS (ALL ACCOUNTS) IS 47 PERCENT;
AND FOR PRIVATE SAVINGS BANKS IN ORDINARY ACCOUNTS IT
IT IS 62 PERCENT AND IN INVESTMENT ACCOUNTS 72 PERCENT.)
THE FIRST STAGE WILL BE A ONE PERCENT REDUCTION IN THE
RATIOS REQUIRED FROM TRUSTEE SAVINGS BANK DEPOSITS AND A
FOUR PERCENT EQUIVALENT REDUCTION IN PRIVATE SAVINGS BANK
INVESTMENT ACCOUNTS FROM APRIL 30. IDENTICAL REDUCTIONS
WILL BE REPEATED ON JULY 31.

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2. GNZ'S OBJECTIVE IN THIS ACTION IS ALSO TO REDUCE
STATE INVOLVEMENT IN FUNDING THE HOUSE BUILDING INDUSTRY.
THE AIM IS TO ACHIEVE 55 PERCENT PRIVATE SECTOR FINANCE IN
HOUSEBUILDING ACTIVITY. AT PRESENT, HOUSING CORPORATION
LOANS FOR EXISTING HOUSES ARE LIMITED TO ABOUT 2,200

ANNUALLY AND THESE ARE RESTRICTED TO CERTAIN CATEGORIES I.E. PUBLIC SERVANTS ON TRANSFER, REHABILITATION LOANS TO EX-SERVICEMEN AND PEOPLE WITH SPECIAL HEALTH PROBLEMS. THERE HAVE BEEN COMPLAINTS FROM THE REAL ESTATE INDUSTRY THAT THE LOANS HAD BEEN ONLY AVAILABLE FOR NEW HOUSING. TO CORRECT THIS THE MINISTER ALSO ANNOUNCED AN INCREASE OF 1,000 IN THE NUMBER OF HOUSING CORPORATION LOANS AVAILABLE FOR THE PURCHASE OF EXISTING HOUSES.

3. TO HELP THE BUILDING INDUSTRY PLAN AHEAD, MR HOLLAND ALSO ANNOUNCED THE 1977-78 BUILDING TARGET. THIS HAS BEEN SET AT BETWEEN 26,000 AND 28,000 (FOR THE FISCAL YEAR ENDING MARCH 1977 THE TARGET WAS BETWEEN 28,000 AND 30,000).

4. THE MINISTER ALSO ANNOUNCED THE REMOVAL OF THE \$30,000 TO \$31,000 LIMITS INTRODUCED IN 1972 ON CONSTRUCTION LOANS FROM THE HOUSING CORPORATION AND DEPARTMENT OF MAORI AFFAIRS FOR NEW HOUSING.

WITH THE RECENT INCREASES IN THE PRICE OF BUILDING MATERIALS IT HAS BEEN INCREASINGLY DIFFICULT FOR BUILDERS TO STAY WITHIN THE LIMIT.

KILLGORE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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